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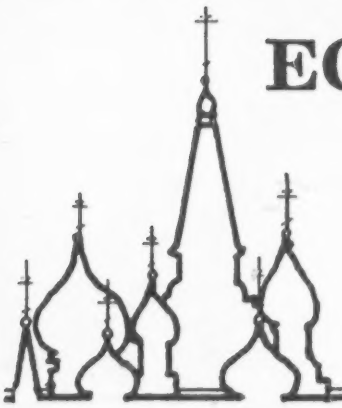

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

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ECONOMIC RESULTS FOR FIRST QUARTER 1990

(Million tons unless otherwise indicated)

Product	First Q 1990 Output	1990 as % of 1989
Electricity (bil. kw hrs)	474	101
Oil	145	96
Gas (mil. m^3)	211	103
Coal	187	94
Steel	39.9	98
Metal Cutting machine tools (1000 units)	6.1	101
Computer technology (million rubles)	2055	115
Tractors (1000 units)	137	95
Agricultural equipment (million rubles)	921	94
Mineral Fertilizer	8.5	93
Pharmaceuticals (million rubles)	1002	107
Paper(1,000 tons)	1576	98
Cement	34.3	98
Meat	2.9	94
Sausage products (1,000 tons)	988	100.8
Edible fish products	1.6	97
Butter	1.7	100.4
Cheese (1,000 tons)	192	100.1
Wholemilk products	8.4	102
Margarine products 1,000 tons)	419	104
Granulated sugar	1.5	101
Confectionary	1.4	103
Canned foods (bil. cans)	4	98
canned fruit/vegs	2.5	94
Nonalcoholic beverages (million dekaliters)	105	100.6
Alcoholic beverages (million dekaliters)	32	108
Footwear (mil. pairs)	212	99.6
Television sets (million units)	2.5	103
Refrigerators/freezers (million units)	1.7	100.4
Radios (million units)	2.3	112
Tape recorders (million units)	1.5	111
VCRs (thousands)	61.7	234
Sewing machines (thousands)	456	114
Washing machines (million units)	1.9	114
Vacuum cleaners (million units)	1.3	105
Furniture (mil. rubles)	2.6	108
Motorcycles (thousands)	262	103
Cars (thousands)	321	106
Paper Goods (mil. rubles)	244	111
Household soap (thousand tons)	198	110
Toilet soap (thousand tons)	84.8	108

Livestock Herds

(Million Head as of April 1st)

	1989	1990	1990 as % of 1989
Cattle	95.0	93.3	98
Cows	28.4	28.1	99.1
Swine	58.4	57.9	99.2
Sheep and Goats	132.8	126.8	95

Quarterly Results

The new production figures for the first quarter of 1990 have just been published and they tell a sad tale. Readers of this newsletter have become accustomed to sad tales, but as events have unfolded in the Soviet Union, it is clear that the statistics were early warning signals of what would become a rapid decline in the morale of the Soviet people.

The explanation of the Soviet statistical authorities for the deterioration in the economic situation is that the economy is troubled by strikes, nationalism and ethnic rioting and disputes, the loss of production as military factories attempt to switch to civilian production, and pollution problems which have necessitated the closing down of several factories. As a consequence of such factors, industrial production is down by 1.2%. This is one of the few times in recent Soviet history that the Soviets have officially acknowledged a drop in production. That of course is before inflation is taken into account, which would mean that industrial production probably fell even further.

While the Soviets say there is some good news, even that good news is tempered. They report that consumer goods production rose 6.3%. However, closer examination indicates that most of the increase is due to an increase in alcohol production and sales of 10.9%. Food production rose only 1.2% and consumer goods were up only 1.7%. In the meantime, they officially acknowledged that the inflation rate was 8% over what it was in the first quarter of 1989. This compares to an official rate of 7.5% for all of 1989. Equally disturbing is the fact that money incomes rose 13.3% (versus 12.9% for all of 1989) and savings rose 22%. This shows how rapidly inflation and a continual outpouring of money are occurring.

The Soviets have been attempting to make more consumer goods available. Thus automobile production rose 6%, soap production rose 8%, detergents 8%, pencils 15% and notebooks 2%. These are all goods that have been in short supply and the production of which has fallen in the past. In any case, shortages of these goods have provoked widespread public outcry. Nonetheless, despite the fact that sales of such items has increased, soap, for example, is still rationed in over 100 cities. At the same time, production of other goods such as meat is down 6%. In some cities it is down 18-20%. Similarly, apartment construction is down 9%.

As a sign of things to come, industrial production is also lagging or dropping. Electricity generation was up only 1% and natural gas production was up 3%. More disturbing, however, is the fact that crude oil output was down 4%, coal down 6%, and steel down 2%. The drop in oil and coal production reflects increasing deterioration from the results of 1989 as a whole.

In agriculture the situation also continues to deteriorate. There seems to be a strong indication that the peasants are holding back output and not selling it to the state. There have been rumors to that effect, but the statistics seem to confirm it. Nor has there been much to show that the peasants are taking up the offer to rent their own land and establish family farms. Soviet authorities report that there are 20,000 independent farms, not a large number.

Finally, in the foreign trade sector, there is also further deterioration. Exports to Eastern Europe are down by 9.7% and imports from Eastern Europe are down by 11%, and authorities report that the foreign trade situation has declined from what it was before. The Soviets do report that there are now 1500 joint ventures, but continuing reports of failure to pay bills and even a temporary closing of the registration office where joint ventures are listed suggest that problems exist even in

this area.

All in all, the situation does not indicate any stabilization, which the Soviet authorities were hoping for by this time.

Change in Staff

This newsletter marks the last issue under the general editorship of Catherine Reed. She is leaving the Russian Research Center in order to pursue an M.B.A. at New York University, and will be spending the summer in the Soviet Union. We wish her well and will miss her. Judy Mehrmann, who has a master's degree in Russian Studies from Princeton, will be joining the staff of the Center on June 1. We welcome her aboard!

FOREIGN EXCHANGE RATES
as of 11 April 1990
Quoted in rubles

	Official Rate	"Special" Rate
£100 Sterling	99.05	990.50
100 Aust. Sch.	5.10	51.00
100 D. Marks	35.95	359.50
100 D. Guilders	31.90	319.00
100 U.S. Dollars	60.68	606.80
100 Fr. Francs	10.68	106.80
1,000 Jap. ¥	3.87	38.70
10,000 It. Lire	4.89	48.90
100 Swiss Frs.	40.64	406.40
100 Nor. Kroner	9.27	92.70
1,000 Bel. Frs.	17.39	173.90
100 Sw. Kronor	9.92	99.20

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The Providence Journal

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The next domino to fall?

SEUNG-CHUL HUR

THE chain-reaction collapse of communist regimes in Eastern Europe raises the question of whether North Korea will be the next domino to topple.

The breathtakingly swift fall of the Romanian dictator Nicolae Ceausescu has fueled discussions on the prospect of Kim Il Sung's downfall, for there are striking similarities between the two regimes. Although the excitement stirred by the Romanian revolution has now been somewhat subdued, the memorable end of the Ceausescu dictatorship will remain as a great historical lesson in any discussion on dictatorial rules.

It is valuable to compare Kim Il Sung's North Korea to Ceausescu's Romania before we leap to the conclusion that Eastern European dominos will soon reach North Korea.

One similarity between Romania and North Korea is a ruined economy. With its military spending amounting to 25 percent of GNP, North Korea's economy has been staggering for a long time. The recent spending of $4.7 billion on the Pyongyang Youth Festival, a counter-showcase to the Seoul Olympic games, has aggravated the economic situation. The North Korean regime has coped with popular discontent about economic conditions with thoroughgoing control of outside information and a barrage of propaganda. The North Korean leadership preaches to its population that they live in "a paradise on earth," and there is nothing to envy in the world beyond.

Information control in North Korea has been so rigid that the North Korean people have little access to foreign news. Correspondence with relatives in South Korea is forbidden. There is no listening to South Korean broadcasting because radios have fixed channels. Due to this blackout of the outside world, North Koreans have no reference point with which to compare their world.

And in creating a personality cult, Ceausescu is no match for Kim Il Sung. The most extraordinary adjectives in the Korean language have been mobilized to describe Kim Il Sung: He is described as "the great leader, a peerless patriot, an ingenious thinker, the sun of the nation, the red sun of the oppressed people of the world." The best university in Pyongyang has his name. There is even a Kim Il Sung flower. On his 60th birthday Kim erected a museum with 92 exhibition rooms featuring his achievements.

As in Romania, nepotism is an obvious feature of the North Korean regime. Kim Il Sung has designated his son, Kim Jung Il, as his political heir. He is now known as the "new dear leader," and North Korean propaganda maintains that he is the only leader who can complete the revolutionary tasks set forth by his father. Preparations for the political succession have been underway for the past decade, and key government positions are already filled by loyal followers of Kim Jung Il.

Some of the differences between Ceausescu's and Kim Il Sung's regime are as evident as the similarities. Kim has an advantage in the strategic environment of North Korea: By continually emphasizing the military "threat" from South Korea and from the American imperialists, he can justify his rigid control of society and the far-reaching restraints on individual freedom.

One other factor which makes Kim different from Ceausescu is that he is not hated as much by his own people. Although he has been merciless in purging his political opponents, he has not waged war on the North Korean people with a mass killing or a Stalin-style reign of terror. He postures as a caring leader. Although installed in power by the Soviet army at the end of World War II, he has succeeded in creating an aura of legitimacy as a nationalist leader.

He is the only postwar communist leader who remains in power to this day.

There is a distance in political culture as well as in geography before the dominos in Eastern Europe reach North Korea. In the politics of East Asia, the authoritarian dictatorship is not unusual: China, Taiwan and South Korea have long histories of dictatorial rule. In China, Mao survived his mistakes during the Cultural Revolution and was repudiated only in death. The current regime in China still appears stable, even after the Tiananmen massacre.

Given the circumstances I have discussed thus far, it might be hard to expect Kim's regime to be toppled by mass revolt. It is equally unlikely that Kim will take a radically different course voluntarily.

So far the North Korean regime apparently believes that more indoctrination is the best countermeasure to reformist sentiments. After the Romanian incident, Kim asserted that North Korea will remain "the base of socialism in the Orient," and he devoted one-third of his New Year's message to preaching the "superiority" of socialism.

At this point, the most important external factor which might bring about Kim's downfall is upheaval in China. For if the China domino falls, North Korea could not stay upright.

Seung-Chul Hur is a research associate at the Center for Foreign Policy Development at Brown, and research fellow at Harvard's Russian Research Center.

Sharing the road

DAVID S. BRODER

WASHINGTON — Secretary of Transportation Samuel K. Skinner is one of the best people President Bush has brought to Washington — an energetic, intelligent, politically skillful manager, committed to do-

"Increase the state and local share of federal-aid projects . . . allow greater use of toll financing on federal-aid highways

er 10 percent by fiscal 1995.

Skinner told me that "the states and local governments are not doing enough." But the long-term trend shows that the costs increasingly have been shuffled from higher levels of govern-